

ENVIRONMENTAL AGREEMENT (Niagara Falls)

AGREEMENT made as of this 13<sup>th</sup> day of May, 1986, by and among Union Carbide Corporation, a New York corporation having an office at 39 Old Ridgebury Road, Danbury, Connecticut 06817-0001 ("Union Carbide"), Umetco Minerals Corporation, a Delaware corporation having an office at 39 Old Ridgebury Road, Danbury, Connecticut 06817-0001 ("Umetco") (Union Carbide and Umetco being hereafter collectively called "Seller") and U. S. Vanadium Corporation, a Delaware corporation, with a mailing address c/o Strategic Minerals Corporation, 30 Main Street, Danbury, Connecticut 06810 ("USV") and Strategic Minerals Corporation, a Connecticut corporation having an office at 30 Main Street, Danbury, Connecticut 06810 ("Stratcor") (USV and Stratcor being hereafter collectively called "Buyer").

WITNESSETH

WHEREAS, USV has acquired substantially all the assets of Umetco's U.S. vanadium business pursuant to a Purchase Agreement among Union Carbide, Umetco and Stratcor dated as of April 23, 1986 (the "Purchase Agreement"), and

WHEREAS, the parties desire to provide for certain services to be rendered, work to be done and liabilities to be assumed with respect to Umetco's vanadium and tungsten products processing facility located at Niagara Falls, New York (the "Niagara Falls Facility"), and

WHEREAS, pursuant to the Purchase Agreement, Seller will be transferring to USV all of the environmental permits, licenses and approvals ("Environmental Permits") as identified in Schedule 9 of Exhibit Q to the Purchase Agreement; and

WHEREAS, Seller and Buyer acknowledge that USV will require a reasonable amount of time after the closing of the Purchase Agreement in order to accomplish a prompt transfer of the Environmental Permits,

NOW, THEREFORE, the parties hereto hereby agree as follows

1. Indemnification.

(a) Subject to the provisions of Articles 3 and 7 below, Seller hereby assumes and will be liable for, and shall indemnify Buyer against and hold Buyer harmless from, any and all costs, claims, damages, lawsuits, attorneys' fees, losses, deficiencies, judgments, actions, liabilities and obligations of any kind or description (collectively called "Claims") asserted against, incurred or required to be paid by Buyer (regardless of when asserted or by whom), resulting from Seller's business operations at the Niagara Falls Facility prior to the date of this Agreement. Seller's obligation hereunder is limited to the Claims and Seller shall have no liability whatsoever for incidental or consequential damages to USV.

(b) USV hereby assumes and will be liable for, and shall indemnify Seller against and hold Seller harmless

from any and all Claims asserted against, incurred or required to be paid by Seller (regardless of when asserted or by whom), resulting from USV's business operations at the Niagara Falls Facility from and after the date of this Agreement. USV's obligation hereunder is limited to the Claims and USV shall have no liability whatsoever for incidental or consequential damages to Seller.

(c) Notwithstanding the provisions of paragraph (a) above, but subject to the provisions of paragraph (f) below, Buyer agrees that Seller shall have no further indemnification obligation to Buyer with respect to the reclamation, restoration, testing and/or disposal activities and obligations as set forth in paragraphs (a), (b), (c), (d), (e), (f), (g), (h) and (i) of Article 3, but only upon completion of such reclamation, restoration, testing and/or disposal activities or satisfaction of such obligations by Umetco. Upon request from Seller, Buyer will deliver to Seller a written release confirming the cessation and termination of indemnification contemplated in this Article 1, such release to be in form and substance satisfactory to Seller's counsel.

(d) Buyer further agrees that Seller shall have no indemnification obligation to Buyer with respect to

(i) any PCBs in oil filled switches in the  
Niagara Falls Facility.

(ii) PCBs in capacitors, transformers, oil supplies or in any other areas of the Niagara Falls Facility, except as specifically enumerated in paragraph (a) of Article 3 below.

(iii) any asbestos in the Niagara Falls Facility except as specifically enumerated in paragraph (e) of Article 3 below.

(e) Upon termination of production of products at the Niagara Falls Facility, Buyer and Seller agree to share any final restoration, reclamation or remediation costs required by applicable laws relating to the plant site (provided that any saleable/salvageable assets in the plant will be sold and the proceeds applied to total reclamation liabilities) and any other areas not specifically enumerated in this agreement in proportion to their respective periods of occupancy of the Niagara Falls Facility. Buyer's share of such costs (including costs referred to in paragraph (h) of Article 3 below) shall in no event exceed its period of occupancy of the Niagara Falls Facility (expressed as a percentage) multiplied by \$1,000,000. (The parties acknowledge that Seller conducted operations at the Niagara Falls Facility from 1919 to 1986.)

(f) Buyer and Seller agree to assert no claims of any kind against each other as a result of Seller's, its contractors' or consultants', or Buyer's performance of or supervision of the Work (as hereinafter defined) except in the

event of the gross negligence or willful misconduct of the other party.

(g) Notwithstanding the provisions of paragraph (c) above, Seller's indemnification obligation set forth in paragraph (a) above shall not cease and terminate in the event the Niagara Falls Facility is listed as a "Superfund" site pursuant to the Comprehensive Environmental Response, Compensation and Liability Act.

2. Indemnification Procedure, Right to Contest Reclamation Requirements.

(a) Buyer shall notify Seller within 45 days from the assertion of any Claim or discovery of any fact upon which Buyer intends to base a claim for indemnification hereunder. Buyer's failure to so notify Seller shall relieve Seller from any liability under this Agreement to Buyer with respect to such Claim. Seller shall have the right at its own expense to participate jointly with Buyer in the defense of any claim, demand, lawsuit or other proceeding in connection with which Buyer claims indemnification hereunder and, with respect to any issue involved in such claim, demand, lawsuit or other proceeding as to which Seller shall have acknowledged the obligation to indemnify Buyer hereunder, Seller shall have the sole right to settle or otherwise dispose of such claim, demand, lawsuit or other proceeding on such terms as Seller, in its sole discretion, shall deem appropriate.

(b) Seller shall notify Buyer within 45 days from the assertion of any Claim or discovery of any fact upon which Seller intends to base a claim for indemnification hereunder. Seller's failure to so notify Buyer shall relieve Buyer from any liability under this Agreement to Seller with respect to such Claim. Buyer shall have the right at its own expense to participate jointly with Seller in the defense of any claim, demand, lawsuit or other proceeding in connection with which Seller claims indemnification hereunder and, with respect to any issue involved in such claim, demand, lawsuit or other proceeding as to which Buyer shall have acknowledged the obligation to indemnify Seller hereunder, Buyer shall have the sole right to settle or otherwise dispose of such claim, demand, lawsuit or other proceeding on such terms as Buyer, in its sole discretion, shall deem appropriate.

(c) Seller and Buyer shall each retain the right to contest any restoration, reclamation or remediation requirements imposed by State or other environmental authorities having jurisdiction over the Niagara Falls Facility.

### 3. Other Environmental Matters.

(a) PCB Transformers and Capacitors. Umetco agrees to assume the cost of retrofilling, replacing or disposing of the following capacitors and transformers as promptly as feasible

<u>Item</u>	<u>Action</u>
Transformers 5, 21, 22, 33, 34, 35, 110, 111, 143	Retrofill
Transformers 4, 23, 24, 122, 159, 160 and 161	Dispose
Transformer 119	Dispose & Replace
86 Capacitors for #32 furnace	Dispose
27 Miscellaneous Capacitors	Dispose
Shaft Furnace Capacitors	Dispose

Umetco further agrees to assume the cost of cleanup and disposal of PCB contaminated sludges, oils, waste material currently on site or that will be accumulated when the above equipment is retrofilled or removed. Specifically, Umetco assumes the cost of cleanup and disposal of PCB contaminated soil under the "Owl" transformers, i.e., Nos. 159, 160, and 161, if necessary. ("Retrofilling" is defined as replacing, flushing, etc., of PCB contaminated oils, which when refilled and after the required test runs under power, test at less than 50 ppm PCBS.)

(b) Halide Scrubber. Umetco further agrees to assume the cost of completing installation after the date of this agreement of the halide scrubber now being installed and any corrective modifications to insure compliance with applicable regulations. Once completed and operating as now designed, USV

accepts responsibility for obtaining necessary permits for the system.

(c) Chrome Oxide. Umetco further agrees to assume the cost of disposal of 64 drums of chrome oxide now located at the Niagara Falls Facility.

(d) High Antimony Tungsten. Umetco further agrees to assume the cost of disposal of approximately 100,000 pounds of high antimony tungsten molybdenum oxide now located at the Niagara Falls Facility.

(e) Asbestos in Freight Elevator. Umetco further agrees to assume the cost of removal of the asbestos lining in the global elevator.

(f) "Super Sucker" Dust. Umetco further agrees to test the various waste piles of plant dust deposited by the "Super Sucker" industrial cleaning firm in the plant yard to determine whether such piles are Hazardous Waste (as defined in the Resource Conservation Recovery Act or comparable state law). If any such piles are determined to be Hazardous Waste, under applicable laws, Umetco agrees to assume the cost of removal and disposal of such piles.

(g) Sample Cans. Umetco further agrees to assume the cost of removal and disposal of the numerous small sample cans in the global area.

(h) Yard Area Ores and Slags. Umetco further agrees to conduct a radiation survey and surface sampling program of



the plant yard area to determine whether or not Hazardous Waste is present in the yard area. If Hazardous Waste is found, Umetco agrees to assume the cost of reclamation or remediation of the plant site or disposal of such Hazardous Waste, as required by applicable law. At termination of USV's operations at the Niagara Falls Facility, Buyer and Seller agree to share the cost of reclamation of the plant yard area in the same proportions and with the limitation on Buyer's obligation specified in paragraph (e) of Article 1 above, unless USV's operations at said facility have created a materially more expensive reclamation problem (when compared with reclamation based upon an assumed continuation of operations as conducted in the past by Seller and using the results of the radiation survey and surface sampling program as a benchmark), in which event the excess plant yard reclamation costs will be borne by Buyer.

(i) Plant Buildings. Umetco further agrees to assume the cost of decontaminating the three areas of the plant which have been determined to be radioactive based upon Umetco's radiation survey of the plant.

(j) Miscellaneous Slags and Re-Melts in Yard Area. Buyer agrees to assume the cost of disposal, if required, of 20,000 pounds of vanadium aluminum remelts, 4,000 tons of miscellaneous slags from various furnace operations, piles of

lime, etc. in the plant yard area, and empty drums around the plant and all other miscellaneous materials currently on the plant site and not specifically enumerated in paragraphs (a) through (i) above.

(k) Storage Tanks. If in the future USV is required by law to modify, repair or remove the underground gasoline and/or waste oil storage tanks due to evidence of leaking, Seller and Buyer agree to share the cost of modification, repair or removal based upon their respective periods of occupancy of the Niagara Falls Facility, except if such modification, repair or removal is due solely to the business operations of USV, in which event USV shall solely bear such cost.

(l) Appropriate remedial action will be taken with respect to the pond on the eastern boundary of the Niagara Falls Facility.

4. Environmental Work and Access to Premises.

Seller and Buyer have agreed upon a program of work affecting the environment, including, but not limited to, reclamation, restoration, remediation and cleanup, as described in Articles 1 and 3 above, to be performed at the Niagara Falls Facility (hereafter the "Work") by and under the supervision of Seller and at Seller's sole cost and expense. A plan for the Work, including estimated costs of performing various aspects

thereof and estimated time schedules for completing the Work, is attached hereto as Schedule A. Seller agrees to supervise the performance of the Work and covenants that the Work will be performed in a good and workmanlike manner, and in compliance with applicable laws (or, in the absence of such laws, in accordance with generally accepted environmental engineering standards). USV hereby grants to Seller, its contractors and consultants, the right and license to enter the Niagara Falls Facility for the purpose of supervising and performing the Work. Seller agrees, for itself, its contractors and consultants, to exercise such right and license so as to minimize any interference with or disruption of USV's normal commercial operations at the Niagara Falls Facility.

5. Coordination Committee, USV Performance of the Work.

(a) USV and Umetco will each designate two (2) representatives to serve on a Coordination Committee which will oversee the performance of the Work with the goal of assuring completion of the Work in a timely and cost-effective manner, with minimal interference with USV's normal commercial operations at the Niagara Falls Facility.

(b) Upon Umetco's reasonable request, USV will perform all or any portion of the Work described in Schedule A, in a good and workmanlike manner. Umetco shall pay USV monthly

upon receipt of invoice for USV's actual costs of performing the Work (or otherwise agreed contract price).

6. Cost Verification.

USV's books and records will be open to inspection by Umetco upon reasonable notice and during normal business hours, but not more than once every six (6) months, for the purpose of verifying USV's costs of performing the Work.

7. Bridging of Environmental Permits.

(a) To the extent that applicable federal, state or local statute, law, regulation, rule or order requires action to be taken by or on the part of Seller in order for USV to obtain a Transfer of the Environmental Permits, Seller shall take or cause to be taken all such action, and Seller otherwise shall cooperate with USV in obtaining such Transfer. As used in this Article 7, a "Transfer" of Environmental Permits shall mean and include, as applicable, the substitution of USV's name on, and a transfer, reissuance or new issuance to USV of, such Environmental Permits, without any continuing obligation or liability of Seller whatsoever, including, without limitation, as a guarantor or surety thereof.

(b) From and after the closing of the Purchase Agreement, Seller shall maintain, at Buyer's sole cost and expense pursuant to Paragraph (c) below, each of the

Environmental Permits, including all bonds, guarantees or other financial sureties relating thereto or required thereby ("Sureties") until the earlier of (i) expiration of each such Environmental Permit (it being acknowledged that Seller shall have no obligation to renew any Environmental Permit hereunder) or (ii) Transfer of each such Environmental Permit, provided, that during such time USV diligently shall use its best efforts to obtain a Transfer of the Environmental Permits and to obtain any Sureties related to or required by such Environmental Permits. In connection therewith, USV, as promptly as possible, but in no event later than one (1) month after the date of this agreement, shall submit to or file with the appropriate governmental or regulatory authorities, in a complete fashion, all applications and other documents required to be so submitted or filed by USV in order to obtain a Transfer of the Environmental Permits, provided, that such time limitation shall be extended with respect to each applicable Environmental Permit by such period of time that any failure by USV to comply therewith is attributable to action or inaction by or on the part of Seller. Upon either expiration or Transfer of each Environmental Permit as described in subparagraphs (b)(i) or (b)(ii) above, USV's obligation to reimburse Seller for such maintenance of that Environmental Permit shall cease and Seller shall have the right to cancel such Environmental Permit and/or Surety, to the extent such

cancellation is permitted by law. USV promptly shall notify Seller of the Transfer of each Environmental Permit and Seller promptly shall notify USV of any change in the previously scheduled expiration of any Environmental Permit and of any change in the provisions of each Environmental Permit.

(c) Except with respect to any net income taxes payable by Union Carbide, the maintenance of the Environmental Permits and/or Sureties as described in Paragraph (b) above shall be absolutely net to Seller, and Buyer shall reimburse Seller for all direct costs and expenses incurred by Seller in connection with such maintenance; provided, that Seller shall provide USV with such documentation as USV reasonably may request in order to verify the amount of such maintenance costs and expenses. Seller shall invoice USV for all amounts payable hereunder and payment shall be due net thirty (30) days from the date of invoice. If USV fails to make any payment to Seller hereunder when due with respect to any such Environmental Permit, then Seller shall have the right to terminate this agreement with respect to such Environmental Permit if USV does not cure such default within twenty (20) days after notice thereof from Seller.

(d) Prior to Transfer of the Environmental Permits, Buyer shall cooperate with Seller and provide whatever information is needed and perform whatever actions are

necessary to comply with the Environmental Permits in a manner consistent with Seller's past policies and in compliance with the terms and conditions of the Environmental Permits. If USV shall fail to comply with any material term or condition of any Environmental Permit or breach any commitment, agreement or obligation under this agreement, then Seller shall have the right to terminate this agreement with respect to such Environmental Permit if USV does not cease and, if necessary, cure any such noncompliance or breach as soon as practicable but in no event later than twenty (20) days after notice thereof from Seller or within any shorter time period as required by any governmental or regulatory authority, provided, however, that if in Seller's sole good faith judgment any such noncompliance or breach creates, contributes to, or results in, or is likely to create, contribute to, or result in, an emergency situation, Seller may immediately suspend USV's operations under applicable Environmental Permits until such emergency situation or potential emergency situation has ceased, and, if necessary, has been cured. Notwithstanding anything to the contrary contained in the foregoing, Seller shall not terminate this agreement or suspend USV's operations under any Environmental Permit based solely upon (i) noncompliance with the transfer provisions of any Environmental Permit or (ii) any breach of this agreement based solely upon

noncompliance with such transfer provisions unless an applicable federal, state or local government or regulatory authority issues an order or notice of violation that USV's operations under such Environmental Permit is in violation of its transfer provisions and indicates that it will or may take remedial action against Seller as a result thereof. Seller shall promptly notify USV of the termination or suspension of USV's operations under any Environmental Permit under this Paragraph (d) and the reasons therefor.

(e) Buyer shall indemnify Seller against and hold Seller harmless from all claims, damages, losses, liabilities, demands, assessments, fines, penalties, administrative orders, notices of violation, suits, actions or proceedings, costs, expenses and obligations, including interest, penalties and reasonable attorneys' fees (collectively, "Claims"), which arise out of or in connection with (i) USV's failure during the applicable period set forth in paragraph (b) above to comply with the terms and conditions of any Environmental Permit, or the statutes, laws, regulations, rules, orders or codes pertaining thereto or (ii) any breach of any commitment, agreement or obligation by USV under this agreement, provided, however, that USV shall not be obligated to indemnify Seller against any Claims arising solely out of or in connection with any failure by Seller to comply with applicable transfer



provisions of the Environmental Permits. These indemnification provisions relate to this Agreement and shall be in addition to, and not in derogation of, the respective rights, obligations, liabilities and indemnifications of Seller and Stratcor pursuant to the Purchase Agreement.

8. Headings.

Article headings are not to be considered a part of this Agreement, are included solely for convenience, and are not intended to be full of accurate descriptions of the contents thereof.

9. Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Connecticut.

10. Notices.

Any notice or other communication required or permitted hereunder shall be in writing, and shall be deemed to have been given if placed in the United States mail, registered or certified, postage prepaid, addressed as follows

If to Seller, addressed c/o Union Carbide  
as follows

39 Old Ridgebury Road  
Danbury, Connecticut 06817  
Attention: President, Umetco Minerals Corporation

If to Buyer:

Strategic Minerals Corporation  
30 Main Street  
Danbury, Connecticut 06810

with a copy to.

Gager, Henry & Narkis  
30 Main Street  
Danbury, Connecticut 06810  
Attention: David R. Chipman, Esq.

Each of the foregoing shall be entitled to specify a different address by giving notice as aforesaid to the others.

11. Disputes. Any dispute that the parties are unable to resolve may be submitted to any court having jurisdiction over such dispute.

12. Entire Agreement, Survival, No Waiver.

This Agreement and the other documents and instruments contemplated hereby or thereby constitute the entire agreement between the parties pertaining to the subject matter hereof, and supersede all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof, except as specifically set forth herein. No supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No

waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided herein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be entered into and executed by their officers thereunto duly authorized as of the date and year hereinabove set forth.

UNION CARBIDE CORPORATION

By: [Signature] <sup>CPR</sup>  
Title: PRESIDENT, SECURITIES AND SERVICES

UMETCO MINERALS CORPORATION

By: [Signature] <sup>CPR</sup>  
Title: PRESIDENT

STRATEGIC MINERALS CORPORATION

By: [Signature]  
Title: PRESIDENT

U.S. VANADIUM CORPORATION

By: [Signature]  
Title: PRESIDENT

Schedule A

Niagara Falls, New York

Description of Work

<u>Work to be Done</u>	<u>Established Completion Date</u>
A. Replace, retrofill or dispose of PCB containing transformers, capacitors and dispose of cleanup materials.	8/86
B Complete halide scrubber.	8/86
C Dispose of chrome oxide	6/86
D Remove globar elevator asbestos.	8/86
E Dispose of high antimony tungsten.	10/86
F Dispose of sample cans.	10/86
G Sample, test and dispose of, if necessary, "Super-sucker" dust	10/86
H Yard area sampling and cleanup, if necessary.	3/87
I Drain and fill "Lake Linde"	6/87
J. Clean up radioactive areas of plant.	6/87